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Bre-X share trades revealed

Felderhof sold stock long before it was listed on TSE, OSC lawyer tells court

BY RICHARD BLACKWELL, TORONTO

John Felderhof was "actively selling" Bre-X Minerals Ltd. shares long before the company was listed on the Toronto Stock Exchange, his trial was told yesterday.

On the fifth day of his opening remarks, Ontario Securities Commission prosecutor Jay Naster told Ontario Court Judge Peter Hryn that Mr. Felderhof sold shares in October and November 1995, a period when Bre-X stock jumped from $7.85 to $54.75 on the Alberta Stock Exchange.

At that time, Mr. Felderhof was buying a house in the Cayman Islands, Mr. Naster said.

In a fax from Mr. Felderhof to Bre-X president David Walsh, read by Mr. Naster to the court, the former Bre-X chief geologist said: "Cayman looks like a great place."

Mr. Felderhof, who still lives in the Caymans and has not yet shown up at his trial, is charged by the OSC with illegal insider trading of Bre-X shares, and with issuing false press releases about the gold content of the Bre-X exploration site in Indonesia.

The insider trading charges, however, cover only the period from April to August, 1996, just after Bre-X was listed on the TSE. The OSC jurisdiction covers only companies listed in the province.

The OSC alleges that Mr. Felderhof knew of problems with Bre-X's ownership of the Busang site at that time, but sold $84-million worth of stock without revealing the troubles to the public.

Months before the period of the charges, however, Mr. Felderhof was already exercising options to buy Bre-X shares, and was selling those shares on the ASE, Mr. Naster said. Other Bre-X staff, including geologist Michael de Guzman, were also exercising options at that time, he said. (The ASE has since been folded into the Canadian Venture Exchange.)

Mr. de Guzman became a central character in the Bre-X scandal when he fell to his death from a helicopter over the Indonesian jungle in 1997, just before the salting of ore samples from the Busang site was uncovered and Bre-X shares became worthless.

In one memo to Mr. de Guzman written in late 1995 and read to the court, Mr. Felderhof expressed enthusiasm about the pending visit of a number of Canadian mining analysts to the Busang site, an event he said "will have a tremendous effect on the [Bre-X] share price."

The internal faxes show that on several occasions Mr. Felderhof expressed enthusiasm for getting drilling information to the public via Bre-X press releases as quickly as possible.

Some of those analysts will testify at the trial, Mr. Naster said, but he acknowledged that they "didn't see anything untoward" when they visited the Busang site.

The internal faxes show that on several occasions Mr. Felderhof expressed enthusiasm for getting drilling information to the public via Bre-X press releases as quickly as possible.

He also said in one memo that he was anxious to clarify Bre-X's ownership position with regard to Busang "once and for all," although virtually no information about the complex ownership situation was revealed to the public, Mr. Naster alleged.

The complexity of the ownership issue was summed up in a fax Mr. Felderhof wrote to Mr. Walsh in October 1995, when he said: "This is the mysterious east. The mystery can drive you crazy at times."

Still, the dispute over who actually had the rights to the property was not revealed publicly until late in 1996.

Breaking news at globeandmail.com

Inflation tame but trouble seen ahead

INFLATION *from page B1*

The so-called core inflation rate, which excludes food and energy prices, came in at 1.5 per cent on a year-over-year basis in October, up from 1.3 per cent in September.

There was no 'smoking gun' for the Bank of Canada in this report," said economist Scott Kinnear of Merrill Lynch Canada Inc. "While the CPI may move higher still early in the new year thanks to energy, we continue to look for inflation to slow over all next year to around 2.3 per cent from 2.7 per cent this year."

The higher trade surplus in September was mainly the result of lower imports. Exports were almost unchanged from August at $34.95-billion, but imports fell 0.7 per cent to $30.65-billion.

Exports of auto products dropped 2.6 per cent to $7.8-billion but energy exports climbed 6.5 per cent to $4.5-billion, although most of that increase represented higher prices rather than volume. At the same time, a 5.3-per-cent decline in imports of auto products — to $6.3-billion in September — pushed the total lower.

More than in most years, price changes are clouding the picture on how Canada's foreign trade affects the broader economy.

During the first nine months of the year, the overall surplus amounted to $37.3-billion, a huge increase from $25.1-billion during the same period last year.

But that increase is largely the result of price changes, Statscan said in its report. "Higher prices for energy products, such as crude petroleum, natural gas and electricity . . . pushed up export prices, and lower prices for high-technology equipment and computers . . . pushed down import prices."

'There was no "smoking gun" for the Bank of Canada in this report.'

Measured in constant dollars that eliminate these price effects, the surplus has actually fallen by about half so far this year.

The volume of exports also dropped off slightly in the July-September quarter from the April-June quarter, the first such decline in almost four years. That dip does not show up when the trade figures are shown in current dollars.

"Clearly, the U.S. slowdown has made its mark on Canadian exporters," economist Avery Shenfeld of CIBC World Markets said.

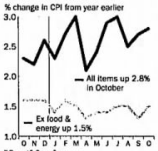
At the same time, he said, Canada's inflation-adjusted imports dropped 1.4 per cent in September.

"The September trade data, along with declines in wholesale trade and factory shipments [reported earlier], are another sign that the Canadian economy ended the third quarter on a soft note," Mr. Shenfeld said.

A stronger trade surplus normally helps the Canadian dollar, which climbed yesterday, but "the weakness in two-way trade, a sign of economic sluggishness, is not very helpful for the currency."

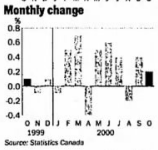
Canada's inflation

% change in CPI from year earlier



Monthly change

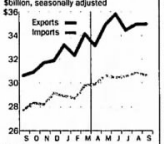
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Source: Statistics Canada

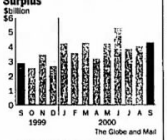
Canada's foreign trade

$billion, seasonally adjusted



Surplus

$billion



The Globe and Mail

Jitec trading halted, pending announcement

BY BERTRAND MAROTTE, MONTREAL

Trading in Jitec Inc. shares was halted yesterday at the request of the embattled high-technology company, pending an announcement.

The Montreal Exchange halted trading in early afternoon, with the shares at $1.38, down 27 cents.

By late yesterday, Jitec — a Montreal-area provider of computer services — had yet to make an announcement.

A source close to events at the company said Jitec is preparing to announce it has permanently replaced president and chief executive officer Benoit Laliberté and that a report by Pricewaterhouse-Coopers has found major discrepancies in previous statements by the company about Jitec's technology and operations.

Mr. Laliberté, 28, stepped down temporarily as president, CEO and director a little more than a week ago in order to fight a Quebec Securities Commission trading ban.

The QSC alleges he traded hundreds of thousands of Jitec shares through accounts he opened at five Montreal-area investment dealers in order to boost their value.

The QSC also alleges he transferred eight million of his Jitec shares to 35 people or companies and did not declare those transfers, and that he failed to declare several Jitec trades under insider-trading reporting requirements.

Mr. Laliberté has said he intends to contest the QSC ban. A hearing that had been scheduled for last Friday was put off until Dec. 1.

Jitec leases to small and medium-sized companies no-frills computer terminals connected to servers at its operation centre.

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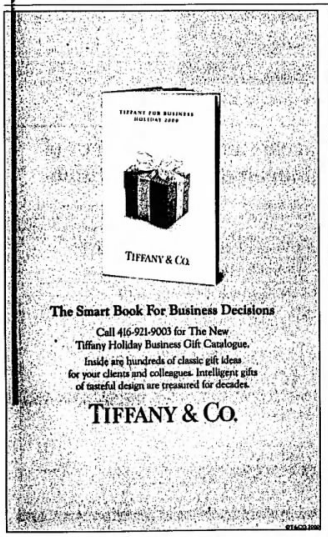
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DYNAMIC POWER BREAKFAST:
David O'Brien, chairman, president and CEO of Canadian Pacific Ltd., talks about CP's decision to raise railway tariff rates, as well as strong financial performance from the company's oil and gas, rail, ships, hotel, and coal mining operations. Live at 7:50 a.m. EST; rebroadcast at 9:50.
MARKET CALL WITH JIM O'CONNELL:
Rick Serafini, portfolio manager of the Trimark Discovery Fund, answers viewers' calls. Live at 12 p.m. EST; rebroadcast at 7 p.m.
THE BOTTOM LINE WITH MICHAEL VAUGHAN:
Canadian Alliance MP **Jason Kenney** joins the weekly politics panel. Also, the company and CEO of Centrinity Inc., which makes software that bundles voice, e-mail and fax messages and makes them accessible on-line or by phone. Finally, Environics co-founder **Michael Adams,** on his new book, *Better Happy Than Rich?* Live at 6 p.m. EST; rebroadcast at 9 p.m.

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